Data#3 Limited
2013 AGM - Chairman's Address
7th November 2013

Ladies and gentlemen,

Welcome to the 2013 Annual General Meeting of Data#3 Limited, again being held in the company's Brisbane corporate office at 67 High Street Toowong.

The annual report issued with the notice of today's meeting presents the 2013 financial year results and the financial position as at 30 June 2013.

The 2013 financial year was one of the most challenging for Data#3, yet highlighted the strength of the company's business model. Even with volatile economic conditions and a highly competitive and relatively flat technology market, Data#3 was able to generate robust financial results. While earnings per share of 7.88 cents represented an 11.3% decrease from 2012, in the context of the difficult market it clearly demonstrates the value of Data#3's extensive market coverage and the continuing relevance of its offerings to ever-changing customer needs.

A key driver for this performance was the dedication and team efforts of the company's management and staff. I would like to take this opportunity to thank everyone at Data#3 for the tremendous effort put in over the past 12 months.

Reflecting the strength of the company's business model, Data#3 paid fully franked total dividends of 7.0 cents per share for the 2013 financial year, exactly the same amount as 2012. This represented a pay-out ratio of around 89% of after tax profit.

The company's Managing Director, John Grant will discuss the operating result in more detail shortly.

Performance in key areas of receivables collections, cash management and cost control continues to be first rate. Our balance sheet strengthened further with net assets increasing to $33.9 million at 30 June 2013, and the company continuing to operate essentially debt-free. The short term debt facility that was arranged in the first half of the 2013 financial year to support the Fiona Stanley Hospital contract in Western Australia was fully repaid before 30 June. Similarly, any future funding requirements are likely to be driven by specific customer contract requirements.

As I am sure you will agree we continue to experience significant uncertainty in domestic economic conditions exacerbated by a difficult if improving global environment. Data#3 is not immune to these external factors and continues to operate in circumstances within which business outcomes are difficult to forecast. Both government and private industry customers have continued to postpone or cancel capital expenditure decisions in software, hardware and projects and we continue to see high levels of market competition.

Given this backdrop our overall financial objective for the current year is to at least match the performance of the 2013 financial year. We are hopeful that the improving sentiment that has emerged following the Federal Government election translates to increased investment.

The senior leadership team has built this year's plan to achieve this objective with continuing focus on the three key areas that underpin our strategy – remarkable people, outstanding solutions and organisational excellence. The 2014 plan also focuses on:

- Simplification of the business through a restructure from five areas of specialisation to three
- Continued extension and transformation of the solutions we offer
- Consolidation of our internal service units into one shared services business, and
- A stronger focus on sales performance and productivity across our whole team.

The geographic base of the business remains unchanged with operations in Brisbane, Sydney, Canberra, Melbourne, Adelaide and Perth supported by distribution centres in Brisbane, Sydney and Melbourne.

It has been pleasing to see the relatively steady share price performance over the past year. At 30 June 2012 the closing share price was $1.11. At 30 June 2013 the market price was slightly down at $1.075 and there have been fluctuations in the intervening period, largely in line with movements in the general market. When combined with the fully franked total dividend of 7 cents per share paid, shareholder value has continued to grow over the period.

The remuneration report which is included in the annual report will be put to the meeting for adoption. Within Data#3, as in previous years, targets to produce acceptable total returns to shareholders have been established and the management team's remuneration is structured in line with these targets. I am sure that shareholders know that remuneration needs to be set to attract, reward and retain. With the company's on-going success our management and staff are regularly targeted by competitors in the IT employment market. We are very conscious of the balance that must exist between expense levels and attracting and retaining key people – they ultimately make the difference.

We measure remuneration every year against industry benchmarks to ensure it is set competitively and the board believes that both the levels and structure of remuneration are in line with the market and appropriate to produce the results we are targeting.

The key personnel in the annual report are those who drive our business and as has been commented on previously, they have done an excellent job over a long period.

I recommend the remuneration report for adoption at today's meeting.

The third item for your consideration on today's agenda is the reappointment of Terry Powell to the board. Terry was one of the original founders of Data#3 and served as Chairman until the company listed in 1997. He re-joined the board of Data#3 in 2002 and has served as a non-executive director since that time. More information regarding Terry's qualifications and experience is included in the company's annual report and in the supporting notes to the notice of meeting. I am delighted that Terry is standing for re-election and I strongly encourage shareholders to vote in favour of this resolution.

You will be aware that in February 2012 our Managing Director John Grant accepted the Chairmanship of the newly constituted Australian Rugby League Commission. There is no doubt that this has been a demanding position given John's role as Managing Director of Data#3. However, the Chairmanship of the ARL Commission is an extremely high profile position both generally and within government and private industry which we believe has been beneficial for Data#3.

I will now ask John to the microphone to address operational aspects of the company's 2013 performance and the outlook for the current period.

At the completion of his address I will invite your comments and questions regarding the annual report, the remuneration report and further information that we have released today.

Thank you for your continuing interest in the company and your attendance at this 2013 Annual General Meeting.

Richard Anderson
Chairman
Data#3 Limited

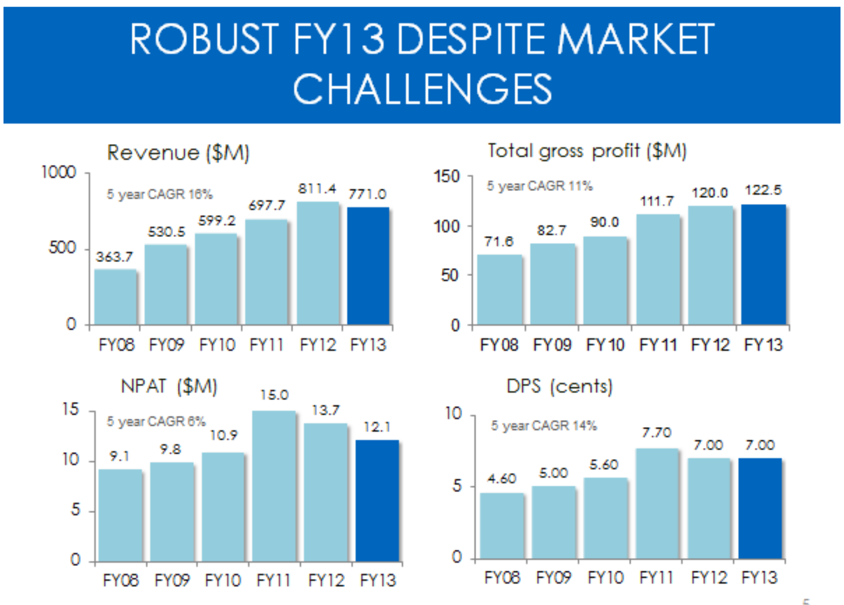
Data#3 Limited
2013 AGM - MD's Review of Operations
7th November 2013

Ladies and gentlemen,

Firstly let me share the Chairman's welcome to you. It's always a pleasure to be able to formally address our shareholders and other friends of the company, and to do it once again in our corporate office in Toowong.

THE 2013 FINANCIAL YEAR

Your company's performance over the 2013 financial year clearly shows the robustness of its business model in a period characterised by very challenging operating conditions.

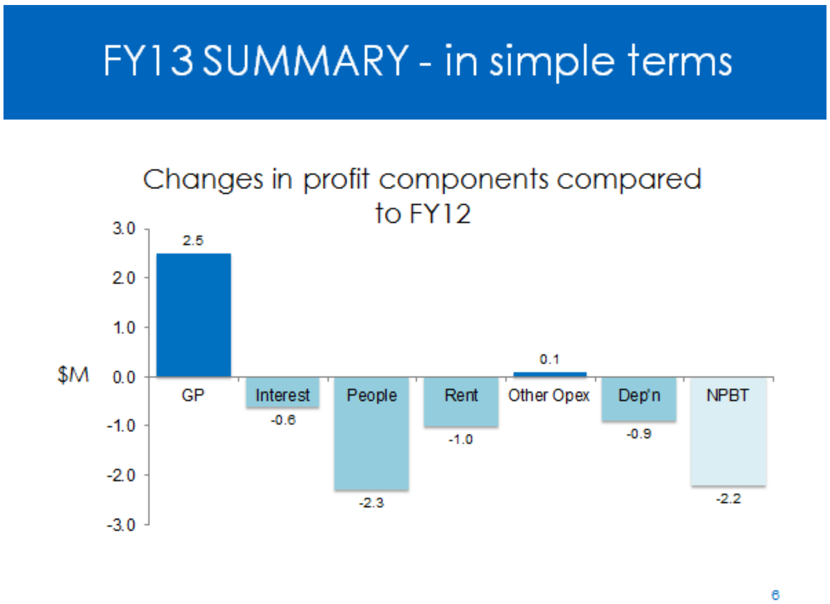


Total revenue declined 5% to $771 million. Product revenues declined 7% to $640 million with software revenues declining 11% and hardware revenues increasing 3%. The decline in software revenues was primarily due to a shift from annual to monthly invoicing in some public sector software licensing contracts, and an increased proportion of revenue from customers replaced by commission from software vendors at 100% margin. Services revenues were up 8% to $130 million.

With this changing shape of revenue, the best indicator of growth is gross profit, the underlying profit on the products and services Data#3 provides its customers. Even with revenue down, gross profit increased 2% to $122.5 million. This was underpinned by strong performances from software sales and from product and contract maintenance services. These particularly benefited in the first half from our largest ever infrastructure sale to Perth's Fiona Stanley Hospital. This growth in gross profit is a testament to the dedication and hard work the entire Data#3 team put in over the past 12 months and I would like to thank them for their tremendous effort.

As part of our long term strategy, we continued to re-invest in our business. As a result, higher expenses caused profit after tax to decline 11.3% to $12.1 million. Over a 5 year period this still represented compound annual growth in profit of 6% per annum.

Reflecting the company's robust business model, the directors have declared a total fully franked dividend for the 2013 financial year of 7 cents per share, representing a pay-out ratio of 89% of after tax profit.



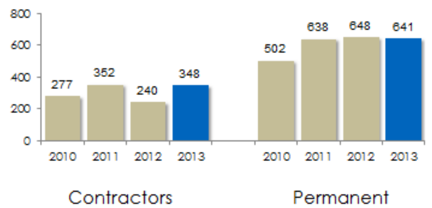
This graph summarises the $2.2 million decline in pre-tax profit – offsetting the growth in gross profit of $2.5 million, interest income was down approximately $0.6 million due to lower deposit rates and deployment of surplus funds to buy and hold the equipment for Fiona Stanley Hospital; people costs were up by $2.3 million or approximately 2.6% on the 2012 financial year but in line with general levels of industry wage inflation; rent was up by $1.0 million as leases for the expanded office facilities and data centres hit the P&L; and depreciation of the infrastructure investments we've made was up by $0.9 million.

Seasonality in operating cash flow was in line with the trend of previous years with the full year average cash balance of $31.1 million down from $36.7 million in 2012 due again to the funding required for Fiona Stanley Hospital. Closing cash balance was up 20% from $70.8 million to $85.3 million and average debtor days outstanding remained at 31 days – industry best practice.

OUR PEOPLE

People numbers

Contractor activity down 17%



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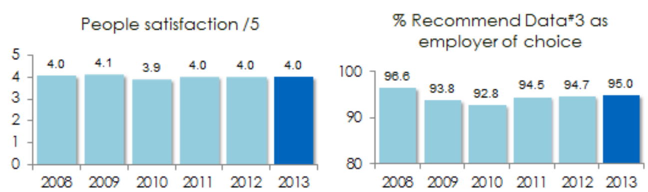
The number of permanent employees remained relatively flat, decreasing by 7 to 641. While contractor numbers in our People Solutions business ended solidly on the back of a contract signed in June, across the year contractor activity was consistent with the broader recruitment market and down 18%.

OUR PEOPLE

People satisfaction

Held to our benchmarks



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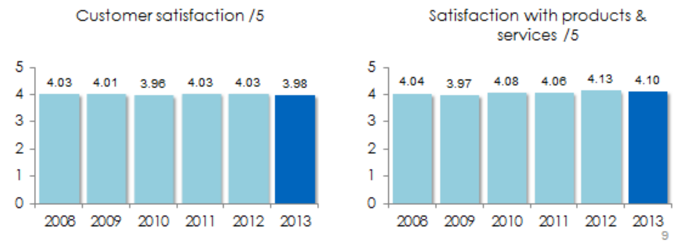
The level of engagement of our people is critical to the continued success of Data#3, and it was very pleasing to see staff satisfaction and referral levels hold to the previous year.

OUR CUSTOMERS

Customer satisfaction

Essentially on target



It's no surprise that with an engaged team, customer satisfaction was also in line with prior years and essentially on target. Given the difficult market conditions, this was also very pleasing.

I thought it would be useful to profile some of the more significant contracts we won during the year.

SIGNIFICANT CONTRACTS

Fiona Stanley Hospital Perth

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I've mentioned the Fiona Stanley Hospital a couple of times already. Fiona Stanley is a $2 billion infrastructure project, the largest ever undertaken by the WA State Government and one embodying state-of-the-art technology in every aspect of its operations. Data#3 was successful in winning a contract to supply, configure and install Cisco networking equipment together with a 5 year product maintenance agreement. In revenue terms, it was our largest ever infrastructure contract, and clearly reflected the depth and breadth of expertise we can marshal across the business, and our team's sales and delivery capability.

SIGNIFICANT CONTRACTS

QLD Govt hardware & services

[12]

We'd flagged in the 2012 financial year that a material contract with the Queensland Government was coming up for renewal in the 2013 financial year. With the change in government, a decision took some time to finalise. The 15 years of experience we'd had through previous contracts and the supplier relationships we could bring, particularly HP, saw us successfully appointed to the new panel. This contract will extend our relationship with the Queensland Government to 20 years. Given the restructuring across government and general spending constraints, volumes through the contract haven't been at the same levels as in previous years. Nevertheless, we will get more than our fair share of what becomes available and the contract remains a strong reference point for similar opportunities across the rest of the country.

SIGNIFICANT CONTRACTS

Ipswich City Council

And finally and significant in the context of future computing models, we were successful in signing a multi-year multi-million dollar outsourcing agreement with Ipswich City Council. Under this agreement the council has almost completed moving its entire data centre infrastructure to Data#3's 'as a service' cloud. As such it moves to an opex pricing model for data centre technology that offers levels of predictability, scalability and reliability that the council believed could never be achieved continuing with on-premise infrastructure. Housed in premium datacentre space we lease in Brisbane and Sydney, the council's investment in Data#3's Cloud can now scale with the changing needs of a growing and innovative council, and is a model for other public and private sector customers.

2013 SUMMARY

Summary

- Challenging market
- Growth in gross profit
- Major contract success
- Higher cost base
- Dividend $ maintained

To close out my comments on the 2013 year, despite some of the most challenging market conditions I've ever experienced, Data#3 was able to continue growing gross profit by winning some significant business that will play into future earnings. Higher costs however caused full year profit to decline. In spite of this, the company's robust business model and good cash flow management allowed us to maintain full year dividends in line with the previous year.

THE CURRENT FINANCIAL YEAR

Which brings us to the current year.

OUR FOUNDATIONS

Vision

To remain an exceptional company

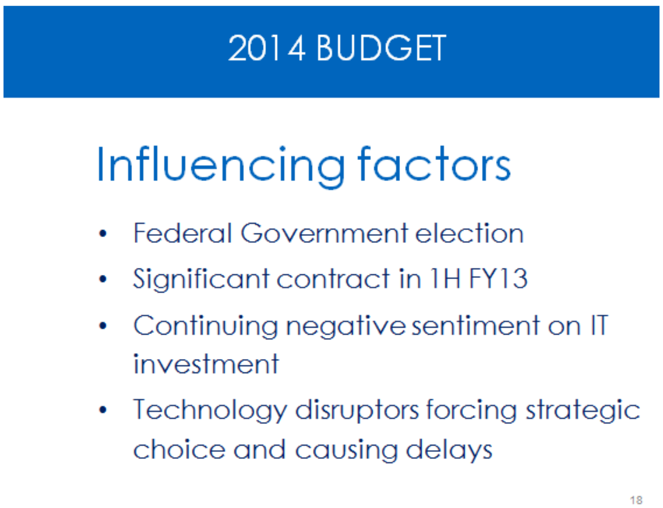
Our vision is to remain an exceptional company. By exceptional we mean one that unites to enable our customers' success through technology; inspires our people to do their best every day; and rewards investors' confidence and support.

Our values guide the way we behave:

- Honesty & integrity
- Respect & trust
- Collaboration & teamwork
- Excellence, agility & innovation, and
- Taking responsibility & going the extra mile.

What we do remains focused on our customers' success.

Let's move to the current year budget and first half outlook.



When the leadership team sat down in April and started the planning and budgeting process for the 2014 financial year, we thought there were a number of factors, tactical and strategic, that needed to be considered. Tactically, we saw two things playing into budgets for the first half. Firstly, with the Federal election in September, we thought there would be little incentive for investment in the first quarter. And secondly, given the very significant contribution in the 2013 first half from the Fiona Stanley Hospital contract, we concluded this would be a big hole to fill. Consequently we saw the first half as having the potential to be relatively weak and had flagged as much in the full year investor briefings.

More strategically and bearing on the full year budget, we saw investment sentiment remaining negative even given the prospect of a change in government. We also saw many global vendors reporting a combination of profit downgrades and redundancies, and a broader phase of industry consolidation. In Australia, other than for tablets and smartphones, we were experiencing 15% - 20% declines in PC and datacentre product and associated services revenues, and IT and recruitment companies had also reported very mixed results. Additionally, we saw the new and disruptive technologies such as mobility and cloud continuing, forcing our customers to reconsider their IT strategies thus injecting further delay into the associated investment.

2014 BUDGET

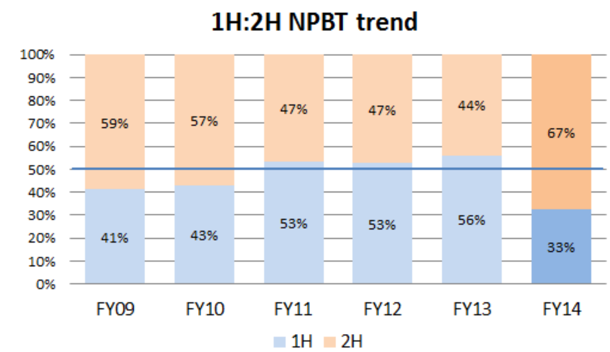
Translates to…

- FY14 budget bias to second half
- H1 : H2 = 33% : 67%

The impact of these factors translates to a budget for the current year that is slightly above the 2013 result but with a significant bias to the second half – 2/3 in fact.

This represents a shift in budget seasonality back to the years prior to the 2011 financial year.

BUDGET SEASONALITY



As you can see on the graph, prior to 2011, profit was biased toward the second half as many major capital investments were driven by end of financial year incentives and underspent budgets. By 2011 this trend had weakened and a shift in software licensing revenues from second to first half became the dominant factor. Since then this too has weakened and 2013 as I said earlier, was significantly strengthened by the Fiona Stanley Hospital contract.

With our 2014 budget, you can see the relativity of its shift from the period 2011 to 2013 – and obviously there is inherent risk in such a significant bias to the second half.

As we sit here today, we can confirm that our assumption that the first quarter would be impacted by the Federal election was correct. But since then, we've seen both the pipeline and the forecast build quite strongly, and while there's still a lot to do, we believe our budget for the first half is achievable. I understand shareholders might not be overjoyed at the quantum of our first half budget, but it is part of a full year plan, and it should be of some satisfaction that we are saying that, at this stage, we can see ourselves performing on plan for the first half.

KEY ASPECTS OF OUR 2014 PLAN

But financial performance is the end result of a plan. Let me share the key aspects of our plan for 2014 and beyond.

KEY ASPECTS OF OUR PLAN

1. An unique time

Difficult macro-economic times

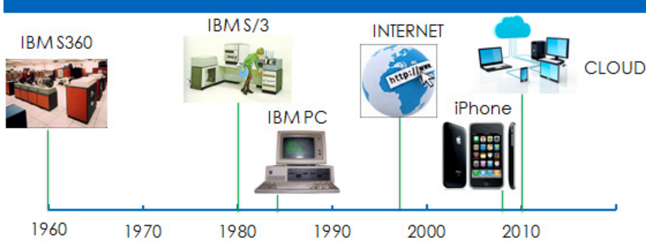
Significant technology disruptors

Unprecedented investment in cloud

Firstly, our plan is set in the context of an unique and to some degree, unpredictable time. We have the continuing confluence of two factors – difficult macro-economic times and significant technology disruptors. On top of this we're seeing both globally and locally, unprecedented investment in cloud in anticipation of major shifts in IT investment. There are some parallels with the 'tech boom' in the late 1990s and early 2000s here.

The uniqueness of this time is clear when we look at it as part of an extended period.

AN UNIQUE TIME



If we consider the major technology disruptors since 1960, we have the first mainframe computer, the IBM System 360 which allowed large companies to adopt electronic data processing.

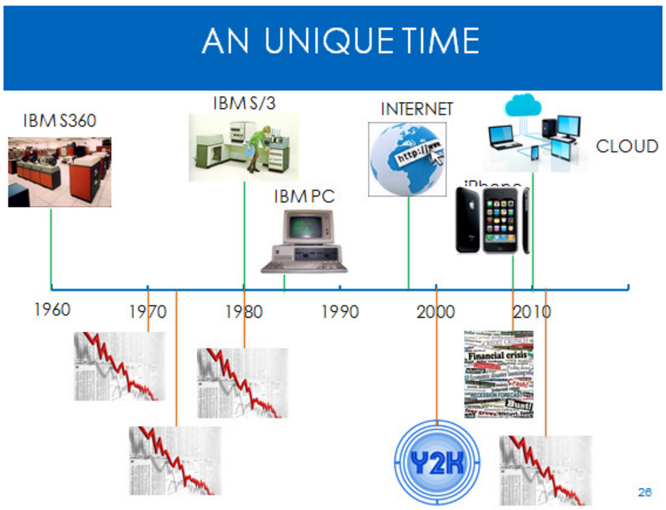
In 1980, IBM released the first mini computer system, the System 3, which took electronic data processing to smaller companies.

In 1984 we had the IBM PC which brought computing power to the individual.

In the late 1990s we had the internet boom and subsequent bust but with it came the start of globalisation.

In 2008, Apple's iPhone and iTunes with the internet has seen the mushrooming of simple and intuitive applications side by side with the mobile phone on one hand held device. This has created significant issues for our enterprise IT customers as they try to respond to the demands of consumer-oriented users and maintain integrity in their enterprise systems and data.

And on the back of significant global investment, we now have the utility or pay as you use cloud as an increasingly viable but strategic choice for enterprises and government technology consumption.



If we now map over this timeline major global economic events and recessions, we see the last 5 years as the most intense and in this sense unique. Concurrent to a very short period of global economic malaise, we have had major shifts in technology. This has proven to be a recipe for disruption in IT investment as IT strategies are reviewed.

This will take some time to work its way through. In the interim it's necessary for us to be positioned as a credible provider in the new IT landscape and a continuing provider in the legacy landscape where most of the investment is still taking place. This is not without the relatively short term pain of higher costs and lower revenues.

Secondly, the investments we've made over the past 2 years provide significant leverage in an improving market.

The fully automated supply chain we now have operating remains unique amongst our peers in Australia. It has the capacity to increase throughput substantially at lower cost per unit.

KEY ASPECTS OF OUR PLAN

2. Investment leverage

D3 Cloud+

Trusted Infrastructure and software as a service

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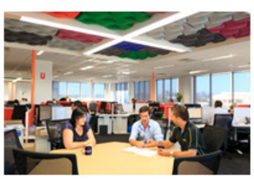
Our cloud infrastructure, which also now offers a connection to third party cloud providers to lower the average price we charge to customers for fully managed and operated infrastructure and software as a service, is now at the point where growth in customer revenues can occur at lower cost per unit.

KEY ASPECTS OF OUR PLAN

2. Investment leverage

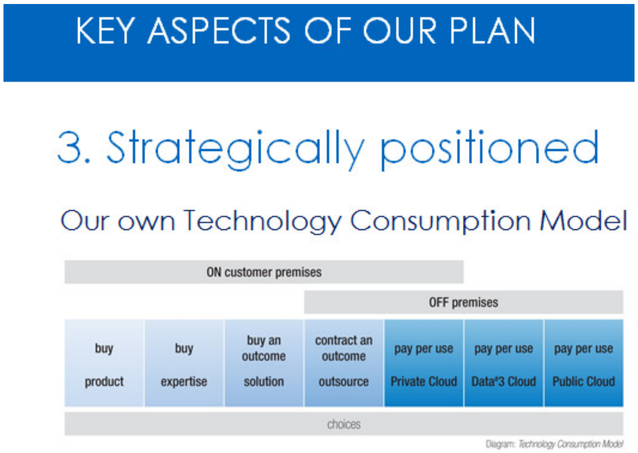


Premises and people

Capacity and capability

And finally, the investment we've made to have premises that offer a new mobile workplace and the decisions we've made to maintain lower than optimum levels of utilisation of our sales and technical people position us with surplus capacity and capability we can apply to greater opportunity.

Thirdly, with thought leadership supported by relatively little but very strategic investment, we're well positioned for the future IT investment landscape.



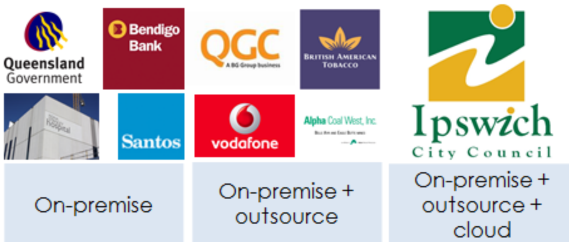
In 2010 we introduced our Technology Consumption Model. This positioned the confusion around cloud and proposed that customers would increasingly consume technology in a number of ways, on and off their own premises – from buying a product or expertise for their own use; to having a solution delivered for their operation; to outsourcing solution delivery over time; to buying as a service from any of the private, trusted or public clouds – and our focus has been on ensuring the solutions we offer are able to be consumed over these seven modes. Our Technology Consumption Model was ahead of its time and has had great resonance with both our customers and our partners.

And it plays clearly and strategically into what we are now positioning as Hybrid IT - our customers' future state - a combination of integrated applications & infrastructure on-premise, outsourced and in the cloud. And we see our positioning as both integrator and provider of Hybrid IT as our future …

KEY ASPECTS OF OUR PLAN

3. Strategically positioned

Our experience and track record



… one that we are particularly strongly positioned for with an enviable track record, reference customers and experience. These together with our financial strength position us strategically as a very viable provider for existing and new customers.

KEY ASPECTS OF OUR PLAN

4. Highly regarded

Customer satisfaction

People satisfaction

Partner satisfaction

Peer recognition

Fourthly, we continue to be highly regarded by our people, our customers, our partners and our peers

… a regard that has seen us voted for the seventh consecutive time, ARN's Enterprise Reseller of the Year.

And finally we're working our plan.

KEY ASPECTS OF OUR PLAN

5. We're working our plan

Restructure

- 3 from 5 areas of specialisation
- 'product to cloud'
- Better aligned to customers and partners

Costs out

In anticipation of our customers' Hybrid IT future, we've undertaken a major restructure of the business – from the 5 areas of specialisation that have served us so well for many years, to 3 – Software Solutions, Infrastructure Solutions and Managed Solutions - all still focused on our customers' success but better aligned to both our customers and partners and able to offer end to end solutions 'from product to cloud'. In addition we've consolidated the internal services functions and have been able to take some costs out of the business that should deliver a net pre-tax benefit of approximately $4 million this year.

Our leadership team also believes our activity levels are as high as they've ever been – in part to keep momentum with customers and partners as they consider the decisions that will determine their future investments, but also on an increasing pipeline of opportunity. Compared to this time last year, tender flow is higher, more decisions have been made albeit not at the same overall value and our win rate remains satisfactory given the intense levels of competition in the market.

KEY ASPECTS OF OUR PLAN

Summary

1. An unique time
2. A leveraged cost structure
3. Strategically positioned well
4. Well regarded
5. Responding and active

So, in summary, while we've set a budget that is considerably biased to the second half, I'd suggest we're in an unique confluence of economic and technology disruption, we're very well positioned for improving times with a great team in place, leverage in our cost structure, market positioning with a track record and experience that will see us as a successful player in our customers' Hybrid IT future, highly regarded by all stakeholders and our peers and actively working our plan. Also, it's times like these that fuel industry consolidation, and we see an opportunity to be part of this.

THE FULL YEAR OBJECTIVE

"Our financial objective for 2014 is to at least match the performance of 2013"

So, on balance and given the outlook for the first half, our financial objective for 2014 remains to at least match the performance of the 2013 financial year. Thank you for your continuing support and interest in our company.

Now let me hand you back to Richard.

John Grant
Managing Director
Data#3 Limited